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10-18-06
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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Implement the
Commission's Procurement Incentive Framework and to
Examine the Integration of Greenhouse Gas Emissions
Standards into Procurement Policies.

Rulemaking 06-04-009
(Filed April 13, 2006)

**COMMENTS OF THE PLUMAS-SIERRA RURAL ELECTRIC COOPERATIVE, ANZA
ELECTRIC COOPERATIVE, AND SURPRISE VALLEY ELECTRIFICATION
CORPORATION ON THE OCTOBER 2, 2006 WORKSHOP REPORT
AND STAFF PROPOSAL FOR AN INTERIM EMISSIONS STANDARD**

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October 18, 2006

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Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (Commission) and the October 5, 2006 Assigned Commissioner's Ruling: Phase 1 Amended Scoping Memo and Request for Comments on Final Staff Recommendations (Assigned Commissioner's Ruling), the Plumas-Sierra Rural Electric Cooperative (Plumas-Sierra REC), Anza Electric Cooperative, and the Surprise Valley Electrification Corporation (hereinafter, "California Co-ops") offer these comments on the October 2, 2006 Final Workshop Report: Interim Emissions Performance Standard Program Framework (Staff Proposal) for greenhouse gas (GHG) emissions.

I. INTRODUCTION

On October 5, 2006, the Commission issued its Order Amending Order Instituting Rulemaking in this proceeding (Amended OIR). In the Amended OIR, the Commission notes that this proceeding will be the "procedural forum for the implementation of SB 1368," and names the California Co-ops as additional Respondents to this proceeding.

A. Plumas-Sierra Rural Electric Cooperative Interest in this Proceeding

Plumas-Sierra REC is an electric distribution cooperative that serves more than 7,500 member-owners in rural northeastern California. It is the goal of the Plumas-Sierra REC to provide utility services with a high level of reliability for a fair and reasonable cost. Plumas-Sierra REC is a member of the Golden State Power Cooperative, a state association representing eight electric distribution cooperatives and aggregation cooperatives that serve a number of varied and diverse communities. The cooperative also actively pursues and utilizes clean and renewable resources, and is dedicated to improving the quality of life for the member-owners and the communities in which it serves. To that end, it has applied for Clean and Renewable Energy Bonds for a 22 MW wind project on the Diamond Mountains inside its territory, and is also researching other renewable energy options.

Plumas-Sierra REC is committed to responsible environmental stewardship and supports the principles behind SB 1368, as well as the state's other environmental regulations.

As a new participant to this proceeding, Plumas-Sierra REC looks forward to working with the Commission and other parties to this proceeding, and doing a further analysis of the Commission's Staff Proposal and providing whatever assistance it can to the Commission in the adoption and implementation of GHG emissions performance standards.

B. Anza and Surprise Valley Electric Cooperatives Interests in this Proceeding.

Anza Electric Cooperative is a small non-profit co-op serving roughly 3,000 members. In 1981 Anza became a member/owner of the Arizona Electric Power Cooperative (AEPCO) and has a full-requirements power purchase contract with AEPCO through the year 2035. The resources needed to serve Anza's small load have already been built, and will be available through at least 2035, and ideally much longer. While Anza appreciates the opportunity to participate in the Commission's proceeding, Anza does not anticipate any changes in its full-requirements contract with AEPCO. Accordingly, given its very limited staff and budget resources, Anza respectfully declines to participate in this proceeding and asks that the Commission remove Anza as a respondent.

Surprise Valley Electrification Corp. serves rural parts of northeastern California and southeastern Oregon. A non-profit co-op, Surprise Valley has been a full requirements customer of the Bonneville Power Administration (BPA) for the past 60 years, with no anticipated changes

to that status. Surprise Valley does not own any power generation facilities, nor are there any plans to build or acquire power generation resources at any time in the future. Surprise Valley will continue to make all of its needed power purchases from BPA; BPA power is mainly a blend of large hydro and nuclear, and also includes some wind and solar. Surprise Valley does not believe that SB 1368 implicates the power received from BPA and since the co-op will neither build plants or contract for power from sources other than BPA, Surprise Valley does not foresee a need to be included as a respondent in the Commission's proceeding. Accordingly, Surprise Valley respectfully asks that the Commission remove the co-op as a respondent in this proceeding.

II. COMMENTS

SB 1368 requires that GHG emissions for baseload generation commitments of five years or more not exceed the rate of GHG emissions for combined-cycle natural gas baseload generation. The Commission is charged with promulgating a performance standard and implementing it by no later than February 1, 2007.

The Staff Proposal has set out certain parameters for the proposed "interim performance standard." Plumas-Sierra REC wants to insure that the Commission remains cognizant of the fact that many load serving entities [LSEs], including members of the Golden State Power Cooperative, have federal contracts and energy procurement arrangements dictated by federal law, which must be respected. Furthermore, the cooperative wants to insure that implementation of SB 1368 does not thwart or otherwise jeopardize the development of other renewable resources for which some firming contracts may be required.

A. Statewide Environmental Goals Should Not Be Thwarted.

As noted above, Plumas-Sierra REC is a strong advocate of clean and renewable energy technologies (as are the California Co-ops); however, Plumas-Sierra REC wants to insure that contracts and generation plants necessary to firm an otherwise reasonable renewable portfolio are not punished by the imposition of unreasonable standards. The Staff Proposal notes that the proposed standard, defined in Public Utilities Code section 8340(a), should apply to "shaping" facilities used to firm renewable resources. As a practical matter, facilities that will be called upon to firm wind energy to the market should not qualify as baseload facilities, simply because

those plants are generally not designed or intended to provide electricity at an annualized plant capacity factor of at least 60%. However, it is imperative that Commission implementation of the standard not result in a perverse situation where an entity delivering a totally clean and renewable resource is penalized by having a firming facility deemed a “baseload resource.”

B. Implementation Should Include the Adoption of Sensible Reporting and Compliance Requirements.

The Assigned Commissioner Ruling invites parties to comment on the effects of the Staff Proposal on “system reliability and overall costs to electricity customers.”

One of the single greatest factors likely to impact smaller LSEs, like Plumas-Sierra REC and other members of the Golden State Power Cooperative, are the costs associated with reporting and compliance. Neither, Public Utilities Code Section 8341, nor the Staff Proposal provides specific details on how the Commission will administer reporting and compliance issues. Before the Commission finalizes implementation of its obligations under SB 1368, it must allow affected entities an opportunity to view, review and comment upon the Commission’s proposals on this topic. The Commission must insure that reporting and compliance requirements are not so cumbersome and resource intensive that they make developing and firming renewable energy resources less cost-effective. Small LSEs, while no less dedicated to the furtherance of the state’s environmental goals and policies, by virtue of their size alone bear a disproportionate share of compliance and enforcement costs, and as such, Plumas-Sierra REC deems this a crucial component in the overall success of the program with the least possible impact on ratepayers.

III. CONCLUSION

As set forth more fully herein, the California Co-ops laud the goals of the SB 1368, and Plumas-Sierra REC anticipates working closely with the Commission in the implementation of the final standards. However, Plumas-Sierra also cautions the Commission to keep in mind not only the letter of SB 1368, but also the state’s overall environmental policies and goals when determining the most prudent means by which to implement the standard.

Additionally, Anza and Surprise Valley, due to their unique federal and exiting contracts discussed more fully above, respectfully request that the Commission officially remove them as respondents to this proceeding.

October 18, 2006

Respectfully submitted,

/s/ Robert Marshall

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **COMMENTS OF THE PLUMAS-SIERRA RURAL ELECTRIC COOPERATIVE, ANZA ELECTRIC COOPERATIVE, AND SURPRISE VALLEY ELECTRIFICATION CORPORATION ON THE OCTOBER 2, 2006 WORKSHOP REPORT AND STAFF PROPOSAL FOR AN INTERIM EMISSIONS STANDARD** on all known parties to R.06-04-009 by transmitting an e-mail message with the document attached, to each party named in the official service list, last revised October 17, 2006. For those parties that did not provide an email the document was served by first-class mail.

Executed this 18th day of October, 2006.

/s/ Katie McCarthy
Katie McCarthy